

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

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-----201540Z 112585 /43

R 200932Z JAN 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 6935

INFO AMEMBASSY LONDON

AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 0481

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: SAUDI OIL PRICE AND SALES POLICY

REF SECSTATE 6265, DHAHRAN 56

1. WE HAVE SEEN VARIOUS MINISTRY OF PETROLEUM OFFICIALS OVER PAST WEEK, AND AMBASSADOR PAID COURTESY CALL ON YAMANI JAN. 19. WHILE HESITANT TO MAKE PREDICTIONS, MINISTRY OFFICIALS APPEARED MODERATELY CONFIDENT THAT SAUDI POLICY WILL SUCCEED IN BRINGING DOWN PRICES OF OPEC 11.

2. MINISTRY OFFICIALS CONFIRMED THAT RECENT MIDDLE EAST ECONOMIC SURVEY STATEMENT ON OIL SALES POLICY IS AUTHORITATIVE; IT WAS IN FACT DRAFTED IN MINPETROL (DHAHRAN REFTEL). INCREASED OIL SALES WILL BE PASSED THROUGH ARAMCO OWNERS AND NOT PETROMIN. COMPANIES HAVE INSTRUCTIONS 1) TO SELL ONLY TO REFINER-MARKETERS AND 2) TO REQUIRE BUYERS TO SUBMIT STATEMENTS OF FINAL DESTINATION. ON DELIVERY OF OIL TO CONSUMING REGION, BUYERS ARE TO SUBMIT AUDITED STATEMENT OF LANDED COSTS AND SALES PRICE OF CRUDE. SAUDI OFFICIALS HAVE STRESSED THAT SAG WOULD BE CONFIDENTIAL

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"DOING ITS PART" THROUGH THIS AUDIT SYSTEM TO ASSURE THAT PRICE SAVINGS ARE PASSED ON TO CONSUMER NATIONS; THEY EXPRESSED HOPE THAT CONSUMER GOVERNMENTS WOULD FOLLOW THROUGH TO ASSURE THAT SAVINGS REACH FINAL CONSUMER. THEY OFFERED NO OPINION, HOWEVER, ON THE PRACTICAL OR LEGAL DIFFICULTIES CONNECTED WITH SUCH DOWNSTREAM PRICE MONITORING IN MANY CONSUMER COUNTRIES INCLUDING US.

3. ACCORDING TO MINPETROLEUM SOURCES, PRODUCTIONS CAPACITY WILL BE 10 MILLION BARRELS/DAY AT END MARCH. THEY SAY NO AGREEMENT HAS BEEN REACHED WITH ABU DHABI ON LATTER'S PRODUCTION LEVEL, BUT THAT THEY "EXPECT" IT WILL INCREASE. MINPETROL HAS MADE NO INDEPENDENT PROJECTIONS OF CRUDE OIL DEMAND OVER COMING MONTHS NOR, ACCORDING OUR SOURCES, HAVE THEY ASKED ARAMCO PARENTS TO DRAW DOWN THEIR STOCKS IN ORDER TO MODERATE DEMAND (AND THUS INCREASE IMPACT OF SHIFT TO SAUDI CRUDE SOURCES.) THEY NOTE THAT CONTINUED COLD WEATHER WILL INCREASE DEMAND FOR HEAVY RATHER THAN LIGHT CRUDES, AND THAT SAUDI INCREMENTAL SALES BITE HEAVILY INTO THESE OF "OTHER" OPEC MEMBERS. SALES POLCIY AND PRODUCTION LEVELS WILL BE MONITORED CONTINUOUSLY AND REVIEWED AT END FIRST QUARTER 1977.

4. PETROMIN SOURCES SAY THEIR DIRECT MARKETING OF CRUDE WILL BE ABOUT 500,000 BARRELS/DAY WITHIN NEXT FEW MONTHS. THEY CONFIRM THAT FRENCH CONTRACT WILL BE RENEWED AT MODERATELY HIGHER LEVEL, BUT SAY THAT NO LARGE NEW QUANTITIES ARE BEING OFFERED THROUGH PETROMIN TO ANY CUSTOMER. APPLICATIONS FOR NEW SALES ARE BEING REFERRED (BUT NOT ASSIGNED) TO ARAMCO PARTNERS. ANY PLANS FOR EXPANDED PETROMIN MARKETING HAVE BEEN POSTPONED AT LEAST UNTIL PRESENT PRICE DISPUTE SETTLED AND ARAMCO TAKEOVER COMPLETED. (ARAMCO TAKEOVER AGREEMENT IS STILL UNDER CONSIDERATION BY SUPREME PETROLEUM COUNCIL.)

5. ONE PURPOSE OF SAG-REQUIRED STATEMENT OF DESTINATION  
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FOR OIL PURCHASED WILL BE, ACCORDING TO PETROMIN SOURCES, TO KEEP SAUDI CRUDE FLOWING ACCORDING TO EXISTING PATTERNS SO AS TO INHIBIT MAJOR OIL COMPANIES FROM DUMPING IT IN SELECTED MARKETS (APARTICULARLY IN EUROPE) TO HARM INDEPENDENTS.

6. SAUDIS CONFIRM THEY ARE OPPOSING IRAQI CALL FOR IMMEDIATE OPEC ECONOMIC EXPERTS MEETING.  
PORTER

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## Message Attributes

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